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FEB 13 2015

**SECRETARY, BOARD OF
OIL, GAS & MINING**

**BEFORE THE BOARD OF OIL, GAS AND MINING
DEPARTMENT OF NATURAL RESOURCES
STATE OF UTAH**

IN THE MATTER OF THE REQUEST FOR AGENCY
ACTION OF INTERNATIONAL PETROLEUM LIMITED
LIABILITY COMPANY, ET AL, FOR A HORIZONTAL
DRILLING UNIT FOR THE PRODUCTION OF OIL AND
GAS FROM THE TUNUNK MEMBER CONSISTING OF
SECTION 11, TOWNSHIP 15 SOUTH, RANGE 3 EAST,
S.L.M., SANPETE COUNTY, UTAH

**DIVISION'S JOINDER
IN
MOTION TO CONTINUE
HEARING**

Docket No. 2015-009

Cause No. 176-06

The Division of Oil, Gas and Mining ("Division") joins in Whiting Oil and Gas Corporation's ("Whiting") Motion to Continue the above entitled matter. The Division believes that it is premature to establish a drilling unit for this wildcat well without more production information and that the interests of International Petroleum LLC ("IP") will not be prejudiced by a continuance.

The Request for Agency Action filed by International Petroleum LLC asks the Board to establish a sectional drilling unit to cover the lands in Section 11 in which a horizontal well, ("Moroni Well") is being completed in the south half of the section. IP filed its request prior to any production from the well. IP argues that a sectional drilling unit is needed to protect the correlative rights of the mineral owners in the north half of the section. The legal arguments for

it's the sectional drilling unit, rely on language of the well location rules for horizontal wells (Utah Administrative Code R649-3-2(6)), past practices of the Board in prior spacing matters, general geology evidence, and public policy arguments. The Request acknowledges that the pool or reservoir potentially drained by the Moroni Well is currently undefined.

In its Response to the Motion to Continue, Petitioner asserts that Whiting Oil and Gas Corporation (herein "Operator" or "Whiting") failed to give notice of the APD to all owners of oil and gas in Section 11 as required by the well location rules, and that spacing is required to protect the interests of these owners of oil and gas interests and should not be delayed. The owners have since been given notice of the well and this proceeding. There has been no motion to dismiss this matter, merely a motion for continuance. Under the rules for spacing an order may be effective as of the date of filing, so a continuance of the hearing will not preclude an order that would be effective prior to the date of first production. The Petitioners will not be prejudiced by waiting for additional data that will assist the Board to determine the nature of the pool and the area drained by this well.

The size of a drilling unit is statutorily required to be based on a finding that there is a pool and a on a determination of the area that is no smaller than the area that can be economically and efficiently drained by one well. Spacing of a horizontal well is governed by the same statute. The Division believes it is premature to hear this matter until such time that there is sufficient production to establish if there is a pool and the probable area drained by one well. Additional time permitted by a continuance is appropriate so that the Board can base its decision on requisite testimony and evidence.

IP argues that since Whiting is moving forward with the hearing for approval to flare gas from this well, that a hearing determining the correlative rights of the owners in the section

should also go forward. However, it is not clear that the flaring request will be heard in February since the well is still being put on line and the amount of gas to be flared is still uncertain, and the statutory reasons to proceed with a hearing to allow flaring are totally different and separate from the criteria consider when establishing a drilling unit.

The arguments set forth in the RAA for sectional spacing for this horizontal well can be asserted at the March Hearing as easily as at the February Hearing. Establishing sectional spacing without sufficient data could be prejudicial to the operator of the well and the owners of the lands drained by the well if the well is marginal and additional drilling in the section is not justified, if the pool is smaller than 640 acres, or if the well drains less than 640 acres.

CONCLUSION

It is premature to proceed with a hearing on IP's request for a sectional drilling unit at this time due to the wildcat nature of this well, the lack of knowledge concerning the potential nature and size of the pool, and a lack of production data needed to determine the area that may be drained by one well. The arguments for sectional spacing can be presented at a later time without prejudice to IP's interests.

Respectfully submitted this ____ day of February, 2015.

A handwritten signature in blue ink, appearing to read "Steve Alder", written over a horizontal line.

Steve Alder

John Robinson, Jr.

Assistant Utah Attorneys General

Counsel for Utah Division of Oil, Gas and Mining

CERTIFICATE OF SERVICE

The undersigned does hereby certify that a true and correct copy of the foregoing Division's Joinder in Motion to Continue Hearing was delivered to the following persons at the addresses shown, this 13 day of February, 2015.

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